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Iraq

Status Report

September 9, 2009



Bureau of Near Eastern Affairs
U.S. Department of State

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HIGHLIGHTS

- **Presidency Council Criticizes PM Maliki over Syria Tensions (*POLITICAL*, page 4).**
- **China Oil Deal Causes a Commotion (*ECONOMIC*, page 9).**
- **PM Maliki Calls for UN Investigation into August 19 Bombings (*DIPLOMATIC*, page 17).**
- **Body Believed to be of British Hostage Handed Over to UK (*SECURITY*, page 19).**

POLITICAL - Governance & Legislation



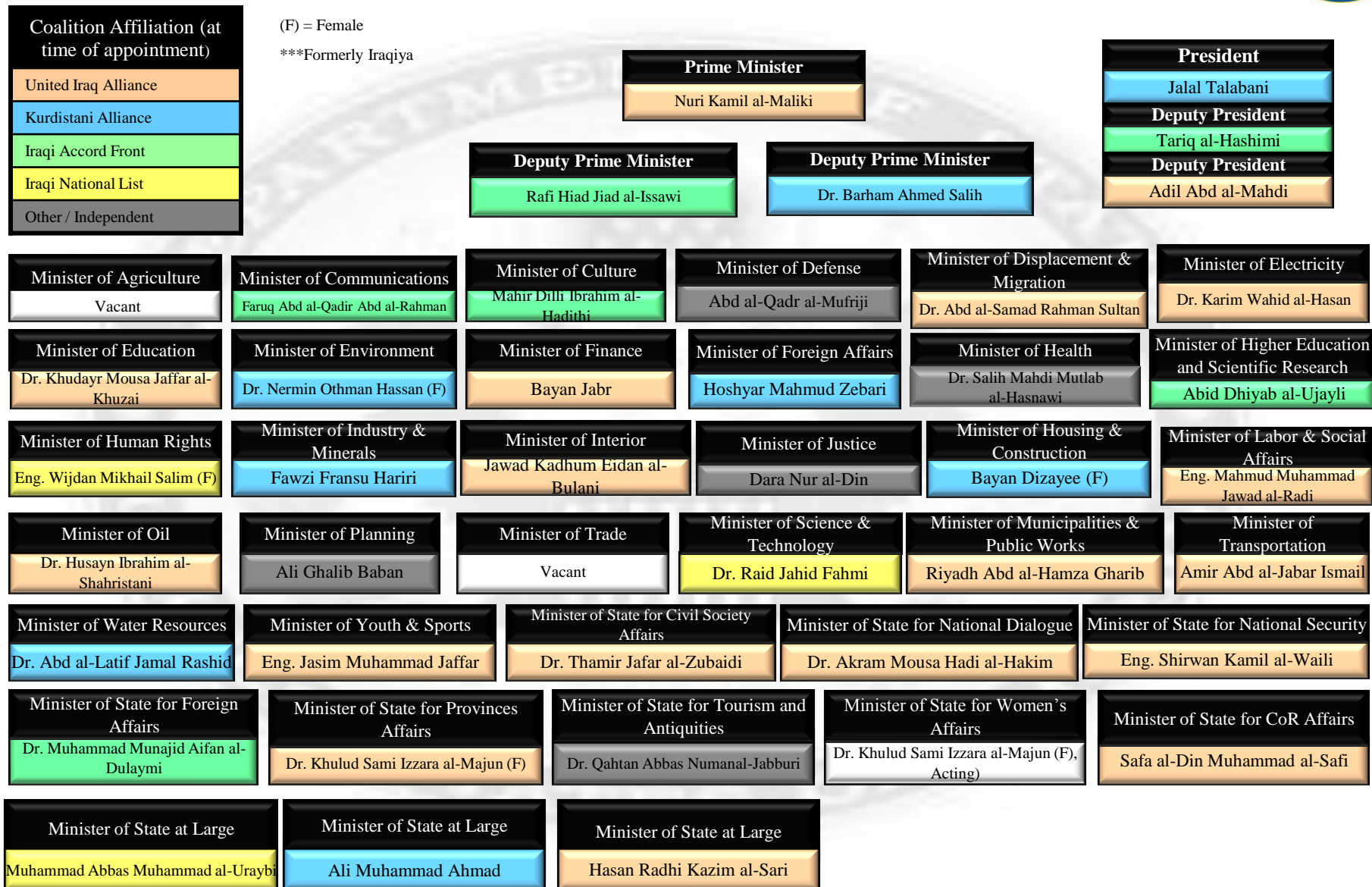
Iraqi-Syrian tensions give rise to tension within Iraqi government

Presidency Council Criticizes PM Maliki over Syria Tensions:

- **Iraqi President Jalal Talabani and the other two members of the Presidency Council publicly criticized Prime Minister Nuri al-Maliki over his recent condemnation of Syria's alleged involvement in the August 19 bombings in Baghdad. Talabani told reporters that the escalation of tensions between Iraq and Syria was "unacceptable." The council issued a statement calling for dialogue to ease tensions with Syria, and Talabani indicated that the current situation "is not in the interest of Syria, Iraq or [other] Arab nations." The presidency council sent a letter to the Prime Minister and Arab League to explain its position and to insist that it be consulted on significant political decisions. Vice President Tariq al-Hashimi has also called for an internal fact-finding committee to further investigate the attacks on August 19.**



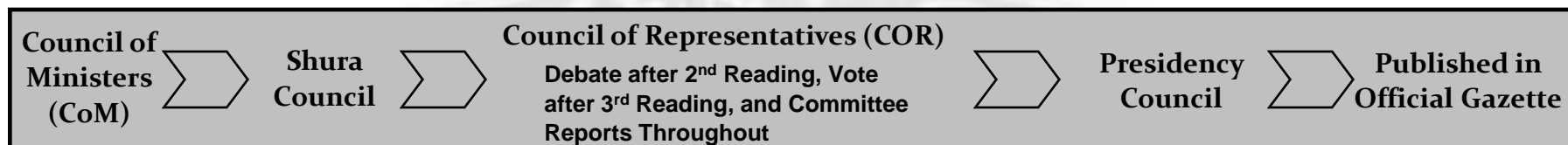
POLITICAL – Government of Iraq





POLITICAL – Key Legislative Issues

Legislative Process



- **Hydrocarbons Package:** The Framework Law was resubmitted to the Oil and Gas Committee on October 26, 2008 and then returned to the Council of Ministers. There has been no progress on the other three laws in the package.
- **NGO Law:** This law will regulate the operations and funding of Non-Governmental Organizations operating within Iraq. It received its first reading in the Council of Representatives on April 20, 2009.
- **National Elections Law:** A draft of a proposed national elections law is in committee but has not been finalized.

POLITICAL - Refugee Update



- **Regional governments report hosting as many as 2 million Iraqi refugees.**
- **The International Organization for Migration (IOM) estimates that over 2.8 million Iraqis are displaced inside Iraq.**
- **In FY08, the State Department's Bureau of Population, Refugees and Migration contributed \$287.08 million to international organizations and nongovernmental organizations to assist displaced Iraqis inside the country and in the region.**
- **The U.S. admitted 13,823 Iraqi refugees in FY08 (which ended September 30).**
- **Since the program's inception in FY07, 32,813 Iraqi refugees have been admitted for U.S. resettlement; in FY09 alone, the U.S. seeks to admit a minimum of 17,000 Iraqi refugees.**
- **As of June 2009, a total of 770 Special Immigrant Visa (SIVs) have been issued for Iraqi translators and interpreters since FY08 (under the Section 1059 program).**
- **As of June 2009, a total of 2,081 SIVs have been issued for Iraqis employed by or on behalf of the U.S. government since FY08 (under the Section 1244 program).**
- **Secretary of State Hillary Clinton announced July 24 that the United States is contributing more than \$100 million in new assistance this year to support the return and reintegration of displaced Iraqis.**

ECONOMIC – Oil



Oil prices are rising, but exports and production remain below 2009 targets

Crude Oil Update:

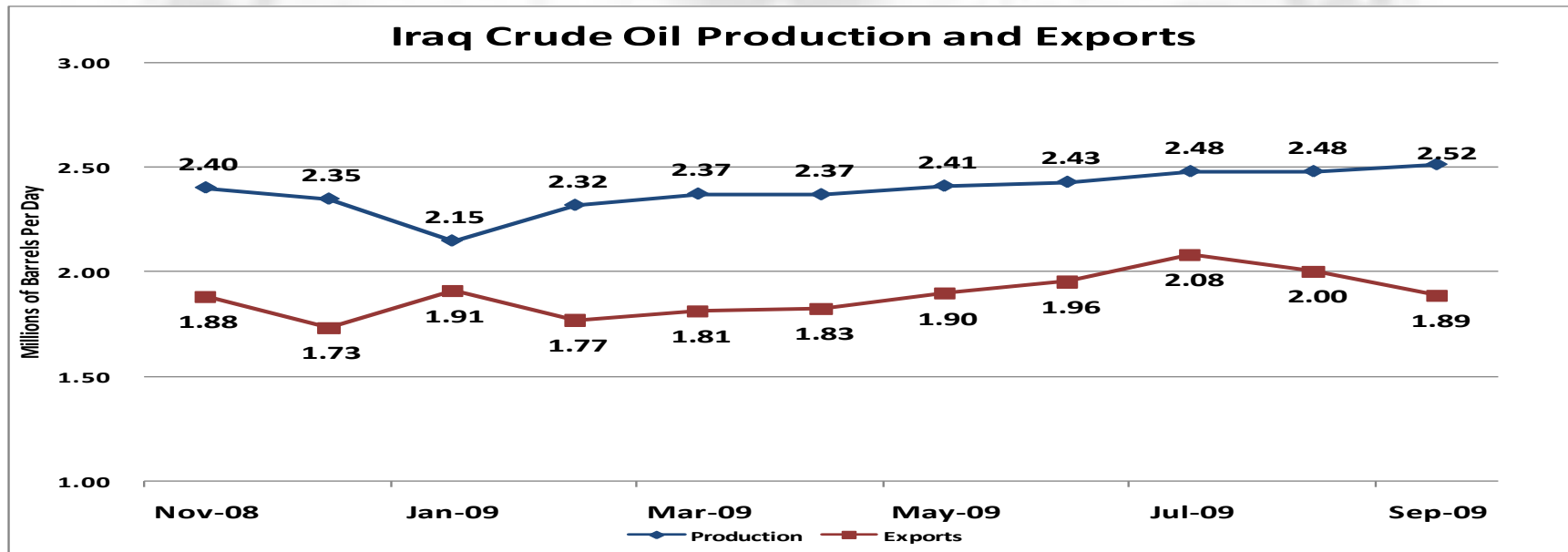
Price averages in world markets closed with the following prices:

Basrah Light at \$66.60/barrel

Dated Brent at \$67.41/barrel

WTI Cushing at \$68.41/barrel

Oman/Dubai at \$68.29/barrel



Revenue estimates:

2007: \$41.0 Billion

2008: \$61.9 Billion

2009 (ytd): \$23.1 Billion*

*New revenue formula is used for 2009 that is more accurate, if lower.



ECONOMIC – Oil

China finds Iraq a difficult environment, while other companies seek contracts

China Oil Deal Causes a Commotion:

- The China National Petroleum Corporation's contract to develop the Ahdab oil field in Wasit governorate is being seen as a test of Iraq's willingness to open an industry that previously prohibited foreign investment. While relations between the company and the federal government have gone smoothly, the local discontent has been rising. Unlike Western oil companies, Chinese oil companies have not made investments to improve local conditions. This has raised the ire of the local community. A local-rights movement has demanded that at least \$1 of each barrel of oil produced at the Ahdab field be used to improve access to clean water, health services, schools, paved roads, and other needs in Wasit governorate, which is among Iraq's poorest. The Iraqi Government has so far rejected the locals' demands. More trouble could be on the way next spring when 1,000 Chinese workers arrive to build a central processing plant.



ECONOMIC – Oil

China finds Iraq a difficult environment, while other companies seek contracts

Shell Gas Deal May Be Delayed Until January 2010:

- A senior Ministry of Oil official said work on the deal between the Iraqi government and Royal Dutch Shell PLC to jointly develop natural gas infrastructure had not been completed and finalizing the deal could be delayed until after the January 2010 national elections. Deputy Oil Minister Ahmed al-Shamma said it was his personal expectation that the natural gas joint venture would remain unsigned until after elections. "In the current climate, signing the deal and making a decision is very difficult ... essentially because there is strong opposition, used by politicians for other reasons not related to gas and investment in gas for political objectives," Shamma said, speaking for himself and not the Government of Iraq. Shell however remained optimistic the deal would be signed before the end of 2009. "We are working with our Iraq partners to reach final agreements at the earliest time," Shell spokesman Christos Mylonas said.



ECONOMIC – Oil

China finds Iraq a difficult environment, while other companies seek contracts

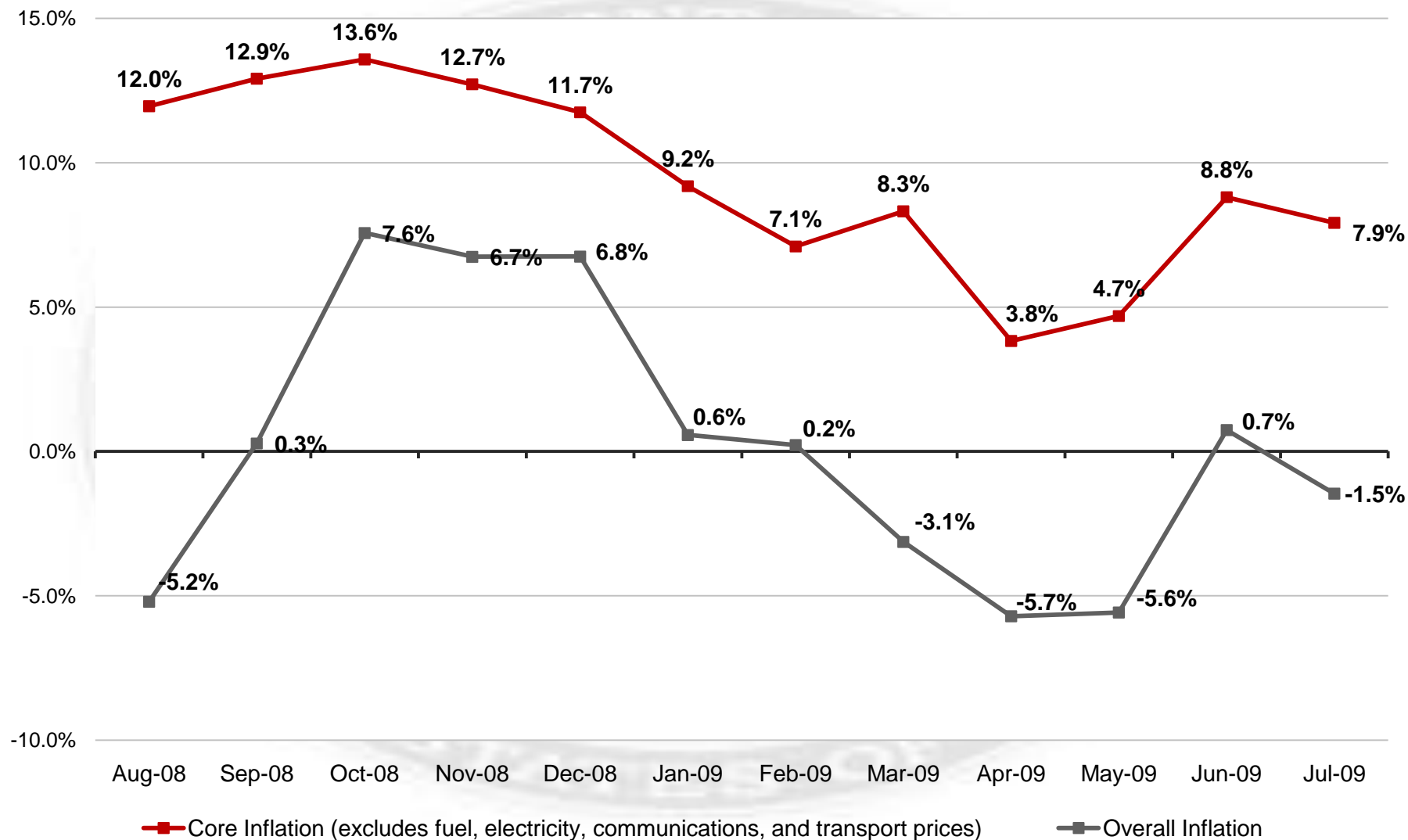
Russian Energy Minister Presses GOI on West Qurna:

- **Russian Energy Minister Sergei Shmatko met with Iraqi Prime Minister Nuri al-Maliki, Minister of Oil Husayn Shahrastani and Minister of Electricity Karim Wahid on a trip which focused on economic ties between the two countries. Minister Shmatko was trying to revive the Lukoil deal for the 1997 contract for West Qurna, which Saddam cancelled in 2002. Russia continues to lobby for the contract to be honored, but the Iraqi Government says that Russian firms have to compete against global rivals for such deals. Lukoil did participate in Iraq's first bid round for West Qurna Phase 1, but was unable to meet the terms the Iraqis wanted.**

ECONOMIC - Fiscal and Monetary Affairs



Year-on-Year Inflation





ECONOMIC – Fiscal and Monetary Affairs

Iraq's cabinet approves legislation on accession to the International Islamic Trade Finance Corporation

| Economic Indicator | This Week | Last Week | Last Month | Last Year |
|------------------------------------|-----------|-----------|------------|-----------|
| Iraqi Commercial Bond Sales | | | | |
| Price (USD) | \$68.96 | \$69.54 | \$69.02 | \$66.08 |
| Yield | 9.37% | 9.29% | 9.36% | 10.96% |

Iraq's Cabinet Approves Draft Legislation on Joining the International Islamic Trade Finance Corporation:

- Government of Iraq spokesperson Ali al-Dabbagh said September 8 the Iraqi Council of Ministers approved a draft law on Iraq's accession to the International Islamic Trade Finance Corporation, which is a member of the Islamic Development Bank Group. "The ITFC is an effective tool for financing trade operations by member countries," Dabbagh said, adding that the economic committee in the Council of Ministers approved the accession and its \$10 million cash subscription fee.

ECONOMIC – Private Sector



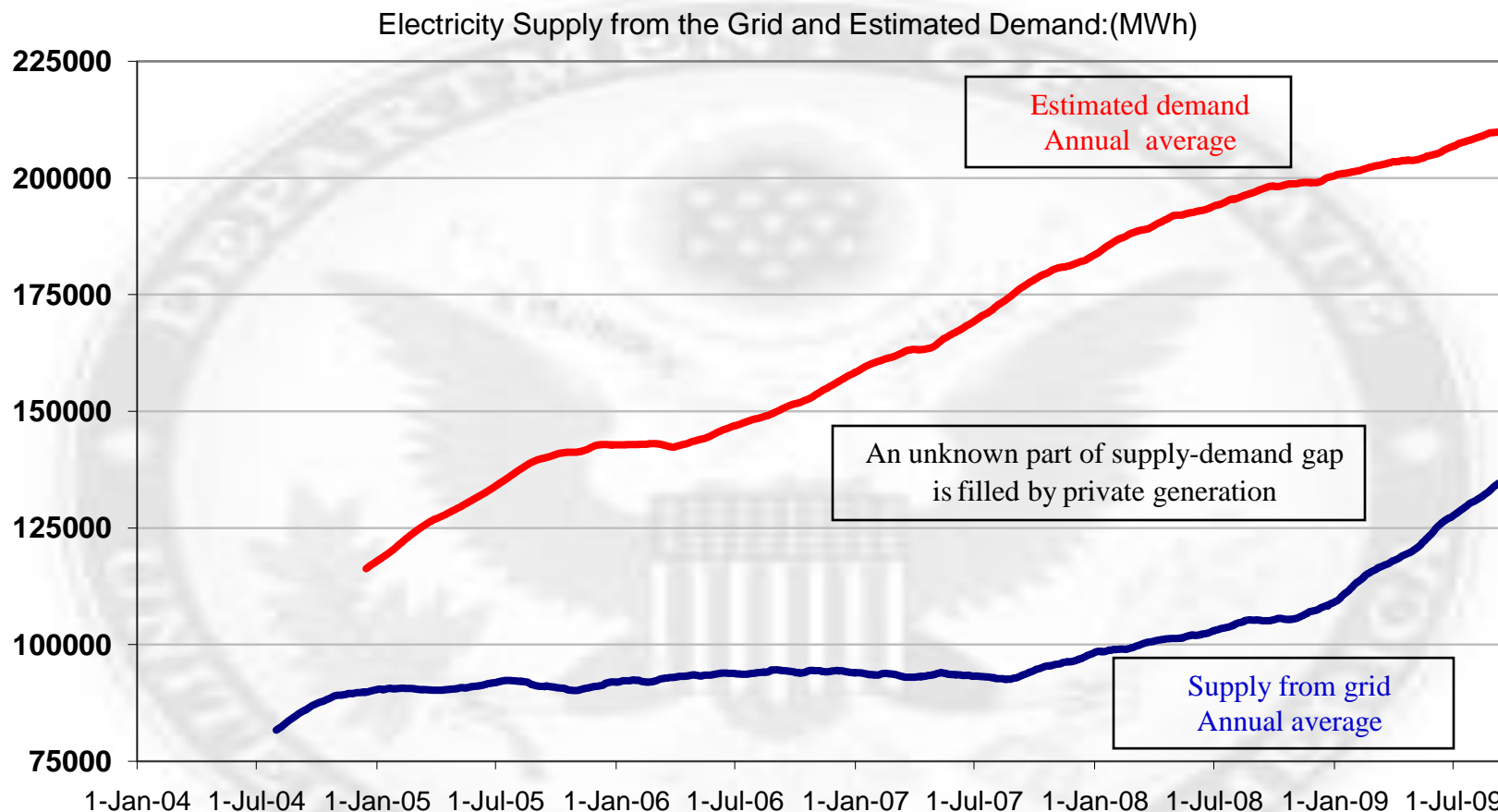
Investment by the Government of Iraq remains constrained by its high operating costs

Minister of Planning Comments on Iraq's Inability to Meet Economic Needs:

- **Minister of Planning Ali Baban said the government of Iraq is unable to meet the needs of Iraq's economic sectors and corruption is hindering the country's ability to manage major projects. Baban said there is a growing need for private initiatives and expanded private sector in order for the country to cover all of its needs. "The state's operational budget consumes 80% of the oil revenues and go to meet the needs of employees and pensioners' payments, the social protection network and the ration cards' items. These are the state's inescapable commitments but what is left is only 20% for investments, which is not enough to improve production," Baban said. The Minister pointed to production projects as the "ideal prescription to boost the Iraqi economy."**



Public Services – Electricity



- Electricity supply from the grid September 2-8 was 37% above 2008 and met 62% of estimated demand, compared with 46% for the year earlier period.
- Based on estimated demand, August hours of power after supplying essential services: Baghdad 13.4 and Iraq 13.8. compared with 10.2 Baghdad and 10.7 Iraq for 2008.

Beyond Baghdad



Food basket delivery to widows during Ramadan Outreach

Maysan

PRT Maysan and two Provincial Council Committees (Women and Children; Religious and Tribal Affairs) launched a Ramadan Outreach Program with food basket deliveries to several widows in rural Maysan. The Outreach will bring over 1,000 baskets during Ramadan to Maysan's neediest, with special outreaches planned for widows and a small group with leprosy.

Erbil

The Turkmen Cultural Center in Erbil has received furnishings and equipment with help from RRT Erbil. The Center acquired Turkmen musical instruments, computers, and desks, which will be used for after-school education programs. The Center will also help Turkmen youth become more involved in their community, while also preserving Turkmen cultural traditions.

Muthanna

Crossing the Euphrates River is now safer and easier for one community in Muthanna with the help of a newly constructed covered pedestrian bridge. The bridge, a project conceived by local officials, Muthanna PRT, and the Army Corp of Engineers, is being hailed as a direct benefit to the community for its safe and secure access for local residents. The bridge structure was also constructed to hold a water pipe and electrical wiring, an added benefit for the surrounding area. The previous structure was deemed unreliable and hazardous.

President Barack Obama

Recent Highlights

DIPLOMATIC – Political Engagement



Iraq requests a UN investigation into the August 19 bombings

PM Maliki Calls on UN to Investigate Bombings:

- **Iraqi Prime Minister Nuri al-Maliki called on the UN Security Council to launch a formal investigation into the August 19 bombings of two federal government buildings that killed 95 people and wounded nearly 1,000. The Iraqi government blamed Ba'athists for the attacks and alleged they were plotted from Syria. Baghdad demanded that Syria hand over those responsible for the attacks but Syria has declined claiming that the Government of Iraq needs to provide proof. The allegations of Syrian involvement in the attacks have lead to the continued deterioration of diplomatic relations between the two countries.**

DIPLOMATIC – Political Engagement



Iraq requests a UN investigation into the August 19 bombings

Differences Persist after Water Conference in Ankara:

- Iraqi and Syrian envoys expressed frustration at Turkey's refusal to increase water flows from the Tigris and Euphrates rivers to address the regional water shortage during a September 3 conference in Ankara. Turkish Energy Minister Taner Yildiz defended Turkey's actions, claiming southeast Turkey was suffering from drought; however, Turkey was releasing more water than it was legally obligated to do out of humanitarian concerns for its neighbors. The Government of Iraq has accused Turkey and Syria of overusing water from the two rivers and their tributaries, leaving Iraq short of water. Iraq's Minister of Water Resources, Abdul-Latif Jamal Rasheed, stated that Iraq is currently "suffering from a serious water shortage" and that the country level of rainfall has fallen by over 40%, intensifying a drought in the country. Turkey has advocated using water more effectively through joint projects rather than granting more water to Syria and Iraq. The meeting in Ankara focused on establishing joint stations to measure water volume at the rivers, as well as exchanging more information about climate and drought and creating joint education programs for more sustainable water management.



SECURITY – Situation Update

While large-scale violence is low, security situation remains tense

Sunni Party Leader Unharmed in Car Bombing:

- Iraqi Islamic Party leader, Osama al-Tikriti, was unharmed after a car bomb apparently targeting his convoy detonated along the main street of Baqubah, September 3. Iraqi police reported the explosion destroyed a number of shops and wounded four people. The Iraqi Islamic Party is the largest Sunni political party in Iraq.

Body Believed to be of British Hostage Handed over to UK:

- On September 3, British officials in Iraq received the remains believed to be one of the two remaining security workers who were taken hostage in 2007. Five British contractors were kidnapped in May 2007 in front of the Iraqi Finance Ministry by militants disguised as Iraqi policemen. The bodies of two of the contractors were returned in June. The British government “cannot yet definitively confirm either that this is the remains of one of the hostages, or which one,” Foreign Secretary David Miliband said in a statement.

SECURITY – Situation Transition



U.S. Continues drawdown in accordance with SA

U.S. Transfers Authority of Two Military Installations to ISF:

- **U.S. Forces transferred Camp Baharia and Combat Outpost Castillo to Government of Iraq (GOI) control, September 2. “It has been an honor for my Marines and other Coalition forces to have supported the Iraqi Security Forces. This transfer of authority is a major example of the Iraqi Security Forces’ progress,” said Colonel Matthew A. Lopez, commanding officer of Regimental Combat Team 6.**

165 Detainees Released from FOB Warrior in Kirkuk:

- **A detainee release program in Kirkuk has resulted in the discharge of 165 detainees from Forward Operating Base (FOB) Warrior. “Members of the provincial council have taken responsibility for all released detainees and have begun programs to help them successfully reintegrate into society,” said Captain Erin Barrett, the provost marshal for 2nd Brigade Combat Team, 1st Cavalry Division. “We want to give them [former detainees] jobs and a means of survival,” Muhammed Khalil Al Nibouri, a member of the city council, said. “They look at this as a humanitarian issue, not a political issue,” Barrett said. While the provincial council has been in contact with the community in order to emphasize the importance of reintegration, the Iraqi Police in the area have also established a program to check up on the detainees, explained Barrett.**



CONTACT INFORMATION

This brief draws from multiple sources. References are cited on the following pages.

For additional information, please see:

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- **Department of Defense, Section 9010 Measuring Stability and Security in Iraq**
http://www.defenselink.mil/home/features/Iraq_Reports/index.html

Please forward all questions and/or comments to:

NEA-I-IPOG-DL@state.gov



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- Department of State, NEA/I Economic/Assistance Section, NEA-I-ECON-DL@state.gov

Slide 9:

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- Reuters, September 7, <http://www.reuters.com/article/worldNews/idUSTRE58644120090907>

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